

SUMMARY OF THE FREDERICK COUNTY EMPLOYEES RETIREMENT PLAN

Introduction

Frederick County established the Frederick County Employees Retirement Plan for County employees effective July 1, 1993. This Summary is intended to give you an overview of the requirements for participation in the Plan and the benefits provided by the Plan. The Plan may be amended from time to time by the Board of County Commissioners. Therefore, the current Plan document is the controlling document over participants' rights and benefits under the Plan.

If you were employed by the County before July 1, 1993, your participation in this Plan was optional. You had the right to elect to transfer to the County Plan from the Maryland State Retirement or Pension System and receive the full creditable service from the State Plan(s), or you could have done nothing and remained a participant in one of the State systems.

If you chose to transfer to the County Plan, you completed an application form and returned it to the Department of Human Resources.

If you began your employment with the County on or after July 1, 1993, participation in the County Plan is a condition of your employment with the County.

General Information - Types of Benefits

As a general matter, the County Plan is a pension plan designed to help provide you with a secure and adequate income when you retire.

Retirement benefits are payable at your normal, early or delayed retirement date. Retirement benefits might also be payable to you if you terminate employment or become disabled, or to your beneficiary in the event of your death. Each of these benefits is discussed in greater detail in this summary.

- ***Eligibility for Participation***

Your eligibility for participation in this Plan is based on your status as a "Uniformed Employee" or a "Non-Uniformed Employee." Appendix A to this Summary contains the definitions of a "Uniformed" or a "Non-Uniformed" Employee.

Whether you are a Uniformed Employee or a Non-Uniformed Employee, you are eligible for participation in this Plan if you are regularly scheduled to work at least 50% of the hours normally worked by other employees in your position.

Example: You are an administrative specialist in the Sheriff's Department and you are regularly scheduled to work 18 hours per week. You are eligible to participate in the Plan as a Non-Uniformed Employee because administrative specialists in the Sheriff's Department normally work 35 hours per week.

County employees who meet these requirements are referred to as "qualified" or "covered" employees.

Qualified employees of the County who are hired on or after July 1, 1993 begin to participate in this Plan on their first day of work for the County.

Qualified employees who began working for the County before July 1, 1993 were eligible to transfer to the County Plan as of July 1, 1993 provided they completed the application forms and agreed to make contributions to this Plan. If you did not elect to transfer to the County Plan as of July 1, 1993, you may not do so in the future.

- ***Employee Contributions***

The Frederick County Employees Retirement Plan is a "defined benefit" plan. This means that professional actuaries determine how much money should be contributed each year to the Plan to provide benefits for all participants. While the major support for the Plan is provided by Frederick County, employees also are required to make contributions to the Plan.

The amount of the required contribution depends on whether you are a Uniformed Employee or a Non-Uniformed Employee.

Non-Uniformed Employees are required to contribute 4% of their base pay to the Plan. Uniformed Employees are required to contribute 8% of their base pay to the Plan. These contributions are deducted from employees' pay before federal, and most state, income taxes are calculated. Once deposited with the Plan, employee contributions are credited with 4% compounded interest each year.

- ***Cost of Living Adjustments***

The County Plan provides a cost of living adjustment of one percent as of each July 1. The adjustment is applied once your benefits have been in pay status for at least 12 months.

Example: John begins receiving a retirement benefit of \$1,500 per month on April 1, 2007. Effective July 1, 2008, John's benefit will increase to \$1,515. Effective July 1, 2009, John's benefit will increase to \$1,530.15. However, if John did not begin receiving his retirement benefit until August 1, 2007, he would have to wait until July 1, 2009 for the cost of living adjustment because his benefits had not been in pay status for 12 months as of July 1, 2008.

- *Vesting of Benefits*

Throughout this Summary, reference is made to the "vesting" of benefits. When you become vested in your benefits, you will not lose or forfeit the benefits you earn under this Plan when you terminate employment with the County.

Your benefits become vested according to the following table:

Years of Eligibility Service	Percentage Vested
Less than five	0%
Five or more	100%

You should also note that, even if you terminate employment before you are 100% vested, you will always receive a return of your own employee contributions, including transferred contributions, plus interest credited at 4% per year.

- *Credit for Service*

Your benefits from the Plan depend in large part on your length of employment (or "service") with the County. For most purposes, your service is counted on a Plan Year basis. A Plan Year is the period beginning on July 1 and ending on the following June 30.

Hours of Service

Many of your rights and benefits under the Plan will depend on the "Hours of Service" you complete for the County during each Plan Year. You will be credited with an Hour of Service for each regular hour that you actually work for the County and for which you are paid. If you work more than your scheduled hours and are paid a premium for those hours, you will not be given additional credit for the extra hours you worked. You will also receive credit for Hours of Service for most non-working time for which you are paid, such as for holidays or sick leave. You will also receive credit for vacation time provided you return to work for the County at the end of the vacation. In other words, you will not receive credit for accumulated vacation time for which you are paid following your termination of employment.

Your service is counted for different purposes. For purposes of determining whether you have a vested interest in your benefits and for purposes of determining whether you are eligible for normal or early retirement, "Years of Eligibility Service" are counted. "Years of Creditable Service" are counted for purposes of determining the amount of your retirement, disability or death benefits.

Years of Eligibility Service and Years of Creditable Service are, in most circumstances, calculated and counted the same way. However, you may have a different number of Years of Eligibility Service and Years of Creditable Service if you work part time

or if you transfer service to the Plan under the rules which are discussed later in this Summary.

Counting Years of Service

Eligibility Service: A Year of Eligibility Service is a Plan Year during which you complete at least 700 Hours of Service.

Creditable Service: A Year of Creditable Service is a Plan Year during which you work a full work schedule for the County. If the normal work week for your position is 40 hours per week, you must have 80 hours of service per two week pay period for the entire Plan Year in order to receive credit for a full Year of Creditable Service.

If you work less than a full work schedule for the County, but complete at least 700 hours of service during a Plan Year, you will receive partial credit for a Year of Creditable Service. The credit you receive is equal to the actual Hours of Service you earned during the Plan Year, divided by the hours in a full work schedule.

Example: John works for the County between July 1, 2005 and June 30, 2007. The normal work week for his position is 40 hours, so the full work schedule for his position for the Plan Year is 2080 hours (40 times 52). Between July 1, 2005 and June 30, 2006, John receives credit for 2100 hours. John will earn one Year of Creditable Service for the Plan Year ending June 30, 2006. However, between July 1, 2006 and June 30, 2007, John receives credit for only 1560 hours. Because John worked less than a full work schedule for his position, he will receive .75 (or 9/12ths) of a Year of Creditable Service ($1560/2080 = .75$).

Special Provisions - First and Last Years of Employment

Eligibility Service: If you begin or end your employment with the County on any date other than July 1, you will receive credit for one month of service for each month during the first and last Plan Years you were employed by the County and participating in the Plan (working at least 50% of the hours of a full-time employee) for purposes of crediting Years of Eligibility Service. You will always receive credit for a month of service for the month during which you are hired by the County as a benefited employee. However, you will receive credit for the month during which you terminate employment only if you remain employed for the entire month.

Example: Joe starts working for the County on December 11, 2003 and terminates his employment on August 31, 2008. Joe will receive 7 months of Eligibility Service for December 11, 2003 through June 30, 2004; four whole Years of Eligibility Service for July 1, 2004 through June 30, 2008; and 2 months of Eligibility Service for July 1, 2008 through August 31, 2008. Joe's total Years of Eligibility Service is 4 years and 9 months. If Joe had terminated employment on August 20, 2008, he would not receive credit for August, 2008.

Creditable Service: Creditable Service is calculated in the same way during your first and last years of employment as it is calculated during your intervening years of employment, except you are not required to work at least 700 hours during the Plan Year in order to receive credit for Years of Creditable Service.

Example: Assume the full work schedule for Joe's position is 2080 hours per year. Between July 1, 2008 and August 31, 2008, when Joe terminates his employment, Joe has earned only 347 hours of service. For his last year of employment, Joe will receive .1668 (2/12ths) of a Year of Creditable Service ($347/2080 = .1668$).

Breaks In Service

You will incur a Break in Service during a Plan Year in which you were not employed by the County (including Plan Years during which your employment with the County terminates) and during which you earn less than 50% of the Hours of Service required for you to earn a Year of Eligibility Service.

If you are not yet vested and you have one or more Breaks in Service, you will lose the Years of Eligibility and Creditable Service you earned before your Break in Service unless you repurchase those Years of Eligibility and Creditable Service. Also, the number of your Breaks in Service will affect the cost of repurchasing those Years of Eligibility and Creditable Service if you resume employment with the County.

If you incur one or more Breaks in Service, receive a cash-out distribution of your employee contributions, and are later rehired by the County, you may repurchase your lost Years of Eligibility and Creditable Service. If the number of your consecutive Breaks in Service is greater than the number of your Years of Eligibility Service earned prior to the first Break in Service, then you must pay the full cost of your Years of Eligibility and Creditable Service to receive credit for those years. The full cost of service credit includes the County's cost to provide the service credit and your contributions, plus interest. If the number of your consecutive Breaks in Service is less than or equal to the number of your Years of Eligibility Service earned prior to your first Break in Service, you may repurchase those years by paying to the Plan your employee contributions, plus interest at 4%, within 90 days after you return to work for the County.

Example: Assume you have three Years of Eligibility Service and leave your employment with the County and you elect to receive an automatic cash-out of your employee contributions. You are rehired by the County four years later after you incurred four consecutive Breaks in Service (that is, you had no Hours of Service for four years). Since you were not vested in your benefits prior to the Break in Service and the number of your Breaks in Service exceeds your Years of Eligibility Service, your first three Years of Eligibility Service will be disregarded unless you repurchase your service, at full cost, within 90 days of your return to employment with the County.

Example: Assume you have three Years of Eligibility Service when you terminate your employment with the County and you elect to receive a cash-out of your employee contributions. You are rehired two years later after you have incurred two consecutive Breaks in Service. Although you were not vested in your benefits at the time of your Breaks in Service, because the number of your Breaks in Service does not exceed the number of Years of Eligibility Service you earned prior to your first Break in Service, your first three Years of Eligibility and Creditable Service remain credited for purposes of determining your vested benefits and eligibility for retirement provided you repay to the Plan the amount of any cash-out you received of your employee contributions, plus interest at 4%, within 90 days of your return to employment with the County.

Credit for Other Service

In addition to the Eligibility and Creditable Service you earn while working for Frederick County, you may, in some cases, receive additional credit for:

- Service under other Maryland governmental retirement systems;
- Service with other governmental or educational employers;
- Approved leaves of absence;
- Military service; or
- Unused sick leave.

Credit for Service Under Other Maryland Governmental Retirement Systems

You may transfer credit you earned under defined benefit pension plans sponsored by the State of Maryland or other Maryland county or municipal employers if you have not had a break in coverage under the plan from which you are transferring service and, within one year of becoming a participant in this Plan, you:

- (1) irrevocably elect to transfer your employee contributions, plus interest, from the other governmental plan to this Plan, or
- (2) if you were not required to make contributions to the prior plan, you irrevocably elect to forego any benefits or credits under the prior plan in consideration for the transfer of service credit to this Plan.

If you request a transfer of service, the Department of Human Resources will explain your options regarding the transfer of service between plans.

Credit for Service with Other Governmental or Educational Employers

You may purchase up to a maximum of ten Years of Eligibility Service and Creditable Service for employment with one or more of the following employers provided you are not eligible to receive a pension from any of these employers based on the service:

- (1) A Maryland County or municipal employer which does not sponsor a plan from which you can transfer service to this Plan;
- (2) Any State, County or other municipal government employer within the United States;
- (3) The United States government; or
- (4) A private, parochial or out-of-state school, if your service is earned as a teacher.

You must pay the entire cost of the benefits provided by the service credited. You may purchase the service within 12 months of the date your benefits from this Plan begin to be paid.

You may pay for the credit in a single lump sum, by a rollover of your benefit from another retirement plan (including Frederick County's Deferred Compensation Plan), or from an individual retirement account or in installment payments. You may make installment payments on a pre-tax basis if you enter into an irrevocable payroll reduction agreement with the County to purchase the service. No matter how you pay for the credit, payment must be completed before the date your benefits from this Plan begin to be paid. The County may limit your ability to purchase service if necessary to comply with federal tax laws.

Credit for Leaves of Absence

You may also purchase Years of Eligibility Service and Creditable Service for time you were absent from work during an authorized leave of absence. The amount of service credit that may be purchased and the cost of the purchase of the credit depend on the reason for your being on a leave of absence.

- If you are on a leave of absence due to an illness or injury sustained while you are employed by the County and for which you receive workers' compensation benefits, you may repay the contributions you missed, plus interest, to receive credit for the time you were on a leave of absence. You may pay the Plan the missed contributions, plus interest, within five years of the date you return to active employment, or within 90 days of the date your benefit payments begin from the Plan.
- If you are on a leave of absence for any other reason, you may purchase up to one Year of Eligibility and Creditable Service by paying the full cost of the service credit. You must pay the Plan the cost of the service within five years of the date you return to active employment or within 90 days of the date your benefit payments begin from the Plan.

You may pay for the credit in a single lump sum, in installment payments, or in a combination of a lump sum or installment payments.

Credit for Military Service

If you serve in active military duty in any of the armed forces of the United States, you may receive additional Years of Eligibility and Creditable Service under two separate circumstances.

If your employment with the County is *interrupted* because of your military service, you may receive up to five Years of Eligibility and Creditable Service provided you return to County employment and resume participation in this Plan within one year of your discharge from the armed forces. Additional service credit may be awarded if required by federal law.

If your active military service *preceded* your employment with the County, you will receive credit for up to five Years of Eligibility and Creditable Service for your military service once you have earned ten Years of Eligibility Service from employment with the County.

If your military service both preceded and interrupted your employment with the County you may receive credit for service under both of these provisions.

You will not receive additional credit under this Plan for your military service if:

- (1) The military service has already been recognized by the Maryland State Retirement System, or
- (2) You are entitled to receive a benefit from another retirement system based on your active duty, except for disability payments, Social Security, National Railroad Retirement, or National Guard or Reserve pensions, or
- (3) The service was rendered for the Reserves, National Guard, Merchant Marine Service, the Peace Corps or VISTA.

Credit for Unused Sick Time

You may receive credit for up to two Years of Creditable Service if you have unused sick time when you retire at an early, normal or delayed retirement date. You will not receive credit for Years of Eligibility Service for unused sick time.

The amount of service credit you will receive for your unused sick leave is based on the hours of your accrued sick leave as of the date you terminate employment with the County, divided by the number of hours in your regularly scheduled work day. This figure is then converted to a Year of Creditable Service or fraction of a Year of Creditable Service based on 22 work days in the month.

Example: At his date of retirement, John had accrued 656 hours of unused sick leave. John's regularly scheduled work day is 8 hours. John will receive an additional .3106 of a Year of Creditable Service determined as follows:

$$656/8 = 82$$

$$82/22 = 3.7272$$

$$3.73/12 = .3106$$

- **Benefits**

Calculation of Average Pay

One of the key elements in determining the amount of your benefits from this Plan is your "Average Pay." Average Pay is calculated on the basis of the annual base salary for your position without regard to overtime pay, bonuses or other extra compensation. If you work less than a full work schedule, your Average Pay, for most purposes of this Plan will be the same as if you had worked full-time in the position. Your Average Pay is the average base pay you receive during the 36 consecutive months of your employment with the County which produce the highest average. For example, assume your salary history is as follows:

Month	Base Pay	Month	Base Pay
07/05	\$2,400	03/07	\$2,700
08/05	\$2,400	04/07	\$2,700
09/05	\$2,400	05/07	\$2,700
10/05	\$2,400	06/07	\$2,700
11/05	\$2,400	07/07	\$2,900
12/05	\$2,400	08/07	\$2,900
01/06	\$2,400	09/07	\$2,900
02/06	\$2,400	10/07	\$2,900
03/06	\$2,400	11/07	\$2,900
04/06	\$2,400	12/07	\$2,900
05/06	\$2,400	01/08	\$2,900
06/06	\$2,400	02/08	\$2,900
07/06	\$2,700	03/08	\$2,900
08/06	\$2,700	04/08	\$2,900
09/06	\$2,700	05/08	\$2,900
10/06	\$2,700	06/08	\$2,900
11/06	\$2,700	07/08	\$2,450
12/06	\$2,700	08/98	\$1,800
01/07	\$2,700	09/98	\$1,800
02/07	\$2,700	10/98	\$1,800

The 36 months which produce the highest average pay are from August, 2005 through July, 2008.

Your Average Pay during this time is calculated as follows:

11 Months	x	\$2,400/month	=	\$26,400
12 Months	x	\$2,700/month	=	32,400
12 Months	x	\$2,900/month	=	34,800
1 Month	x	\$2,450/month	=	<u>2,450</u>
				\$96,050

$$\$96,050/36 = \$2,668.05 \text{ average pay}$$

Normal Retirement Benefits - Uniformed Employees

If you are a Uniformed Employee, you will reach your Normal Retirement Date on the first day of the month on or after you complete 20 Years of Eligibility Service or, if earlier, the date you both: (1) reach age 50, and (2) complete at least five Years of Eligibility Service.

If you are a Uniformed Employee, your monthly benefit at your Normal Retirement Date is calculated as follows:

- (1) 2.5% x Average Pay x Years of Creditable Service up to 20; plus
- (2) 2.0% x Average Pay x Years of Creditable Service in excess of 20 Years, to a maximum of 8 Years.
- (3) 2.0% x Average Pay x Years of Creditable Service for unused sick leave.

Example: Jim earned 26-5/12ths Years of Creditable Service all as a Uniformed Employee. Jim had 824 hours of unused sick leave when he terminates employment. Jim's Average Pay is \$5,600. Jim's monthly benefit at his Normal Retirement Date is \$3,562.37, calculated as follows:

$$.025 \times \$5,600 \times 20 = \$2,800 \text{ Plus } .02 \times \$5,600 \times 6-5/12\text{ths} = \$718.67$$

$$\begin{array}{l} \text{Sick Leave} \\ 824/8 = 103 \\ 103/22 = 4.6819 \\ 4.6819/12 = .3902 \end{array}$$

$$2.0\% \times \$5,600 \times .3902 = \$43.70$$

$$\$2,800 + \$718.67 + \$43.70 = \$3,562.37$$

Total Monthly Benefit \$3,562.37

Normal Retirement Benefits - Non-Uniformed Employee

If you are a Non-Uniformed Employee, you will reach your Normal Retirement Date on the first day of the month on or after you complete 25 Years of Eligibility Service or, if earlier, the first day of the month after you reach one of the following age and service requirements:

Age	Years of Eligibility Service
60	5 Years
61	5 Years
62	5 Years
63	4 Years
64	3 years
65 or older	2 years

If you are a Non-Uniformed Employee, your monthly benefit at your Normal Retirement Date is calculated as follows:

- (1) $2.0\% \times \text{Average Pay} \times \text{Years of Creditable Service up to 30}$, plus
- (2) $2.0\% \times \text{Average Pay} \times \text{Years of Creditable Service for unused sick leave}$.

Example: Susan earned 28-7/12ths Years of Creditable Service all as a Non-Uniformed Employee. Susan has no accrued, unused sick leave. Susan's Average Pay is \$4,000. Susan's monthly benefit at her Normal Retirement Date is \$2,286.67 calculated as follows:

$$.02 \times \$4,000 \times 28\text{-}7/12\text{ths} = \$2,286.67$$

Normal Retirement Benefits - Dual Service Employees

If you earned service as both a Uniformed Employee and a Non-Uniformed Employee, and you earned less than 10 Years of Eligibility Service as a Uniformed Employee, your Normal Retirement Date will be the same as for Non-Uniformed Employees. If you earned 10 or more Years of Eligibility Service as a Uniformed Employee, your Normal Retirement Date will be the same as for Uniformed Employees.

If you earned service as both a Uniformed and a Non-Uniformed Employee, your monthly benefit at your Normal Retirement Date is calculated as follows:

- (1) $2.5\% \times \text{Average Pay} \times \text{Years of Creditable Service earned as a Uniformed Employee up to 20}$; plus
- (2) $2.0\% \times \text{Average Pay} \times \text{Years of Creditable Service earned as a Uniformed Employee in excess of 20, to a maximum of 8}$; plus

- (3) $2.0\% \times \text{Average Pay} \times \text{the lesser of: (a) the Years of Creditable Service earned as a Non-Uniformed Employee, or (b) the number of years that, when added to the Years of Creditable Service used to calculate your benefits in (1) and (2) above, equals 30.}$

Example: David earned 16 Years of Creditable Service as a Deputy Sheriff (a Uniformed Employee) and 12 Years of Creditable Service as the County's Director of Public Safety (a Non-Uniformed Employee). David's Average Pay is \$6,900. David's monthly benefit at his Normal Retirement Date is \$4,416.00 calculated as follows:

$$.025 \times \$6,900 \times 16 = \$2,760.00 \text{ Plus } .02 \times \$6,900 \times 12 = \$1,656.00$$

$$\text{Total Monthly Benefit} = \$4,416.00$$

When determining the number of Years of Creditable Service as a Non-Uniformed Employee used in calculating David's benefit, 12 Years is used because 12 is the lesser of: (a) the number of Years of Creditable Service earned as a Non-Uniformed Employee (12), or (b) the number which when added to 16 equals 30 (14).

Example: Assume instead that David earned 24 Years of Creditable Service as a Deputy Sheriff and 16 Years of Creditable Service as the County's Director of Public Safety. David's Average Pay is \$7,900. David's monthly benefit at his Normal Retirement Date is \$5,530, calculated as follows:

- (1) $.025 \times \$7,900 \times 20 = \$3,950$
(2) **Plus** $.02 \times \$7,900 \times 4 = \$ 632$
(3) **Plus** $.02 \times \$7,900 \times 6 = \$ 948$

$$\text{Total Monthly Benefit} = \$5,530.00$$

When determining the number of Years of Creditable Service as a Non-Uniformed Employee used in calculating David's benefit, 6 Years is used because 6 added to the 24 years credited under (1) and (2) equals 30 years. 30 years is the limit on the number of Years of Creditable Service that are used in the calculation.

Early Retirement Benefits - Non-Uniformed Employees

Non-Uniformed Employees may receive benefits from the Plan prior to their Normal Retirement Date, but these benefits are reduced to reflect the fact that benefits start earlier and are presumed to be paid over a longer period of time.

If you are a Non-Uniformed Employee, you will reach your Early Retirement Date on the first day of the month on or after the day you both: (a) reach age 55, and (b) earn at least 15 Years of Eligibility Service.

Monthly retirement benefits are reduced by .5% for each month benefits are paid before Normal Retirement Date.

Example: Joan earned a monthly retirement benefit of \$1,600 when she stopped working after earning 25 years of Eligibility Service. She can wait until age 60 and receive benefits of \$1,600 per month. However, Joan elects to begin receiving her benefits 24 months before her Normal Retirement Date. Joan's early retirement benefit is \$1,408, calculated as follows:

Monthly Benefit at Normal Retirement: \$1,600

Reduction: $24 \times .005 = .12$ $\$1,600 \times .12 = \192

Monthly Benefit at Early Retirement: \$1,408 (\$1,600 - \$192)

Delayed Retirement Benefits

If you continue to work beyond your Normal Retirement Date, you will continue to receive credit for Years of Eligibility Service and Years of Creditable Service. However, calculation of your benefits is still subject to the maximum Years of Creditable Service contained in the benefit formulas.

You should also note that, if you are a Uniformed Employee, you will not have to make employee contributions (other than contributions you elect to make to purchase credit for service) once you complete 28 Years of Creditable Service. If you are a Non-Uniformed Employee or a Dual Service Employee, you will not have to make your employee contributions (other than contributions to purchase service) once you complete 30 Years of Creditable Service.

If you continue working beyond your Normal Retirement Date, you may elect to defer receiving payment of your benefits until your termination of employment.

- ***Disability Retirement***

You will become eligible for benefits if you sustain a total and permanent disability while you are employed by the County or on an authorized leave of absence and you are no longer able to perform the duties of your job. Disabilities are classified as either "ordinary" or "line-of-duty."

A "total and permanent disability" is a physical or mental impairment which can be expected to be permanent or result in death. Total and permanent disability does not include an injury or disease which arose because of chronic alcoholism or addiction to narcotics, was sustained while engaged in criminal behavior, was intentionally self-inflicted or arose because of your willful negligence.

The County will appoint a Medical Review Board consisting of physicians and County employees to determine if your condition qualifies as a total and permanent disability.

Ordinary Disability Benefits

You will qualify for an ordinary disability benefit if you are 100% vested in your benefits at the time you leave employment because of your total and permanent disability.

Ordinary disability benefits are calculated in the same manner as normal retirement benefits, except that your Years of Creditable Service are determined using the actual Years of Creditable Service you earned as of the date you terminated employment because of the disability, plus the Years of Creditable Service you would have earned if you had remained employed until age 50 if you are a Uniformed Employee at the time of your disability, or age 60 if you are a Non-Uniformed Employee at the time of your disability.

However, your monthly disability benefit, calculated using projected service as described above, cannot be more than 50% of your Average Pay at the time of your disability. If you work less than a full-time schedule, 50% of your Average Pay is calculated on the basis of your actual annual base salary and not the full-time equivalent of your annual base salary.

Example: Mark is 46 years old and a Non-Uniformed Employee. At the time he incurs a total and permanent disability, he has earned 7 Years of Creditable Service and his Average Pay is \$2,800. If Mark had continued in the County's employment until age 60, he is projected to have earned 21 Years of Creditable Service at age 60 (7 plus (60 - 46) = 21). Therefore, Mark's ordinary monthly disability benefit is first calculated as follows:

$$.02 \times \$2,800 \times 21 = \$1,176$$

Then, Mark's Average Pay is multiplied by 50% to verify that the disability benefit calculated using projected Years of Creditable Service does not exceed 50% of Mark's Average Pay:

$$\$2,800 \times .50 = \$1,400$$

Because Mark's calculated disability benefit of \$1,176 does not exceed 50% of his Average Pay, Mark's monthly disability benefit will be \$1,176.

Line-of-Duty Disability Benefits

You will qualify for a line-of-duty disability benefit if you sustain a total and permanent disability as a result of an on-the job accident or injury which is "compensable" under the Maryland Workers' Compensation Act. You do not need to be 100% vested to qualify for a line-of-duty disability benefit.

The monthly line-of-duty disability benefit equals 66-2/3% of the Average Pay you were earning when you incurred the disability. However, your monthly line-of-duty disability benefit described above, plus any monthly social security benefits you are entitled to receive as a result of the disability, cannot be more than 100% of the Average Pay you were earning when you incurred the disability. If you work less than a full-time schedule, 66-2/3% of your Average Pay and 100% of your Average Pay are calculated on the basis of your actual annual base salary and not the full-time equivalent of your annual base salary.

If, for any reason, you would receive a larger benefit if your disability were ordinary, instead of line-of duty, you would be entitled to the larger ordinary disability benefit.

Example: Assume Mark (from our previous example) incurred a line-of-duty disability and became disabled when his Average Pay was \$2,800. As a result of the disability, Mark receives monthly social security disability benefits of \$1,100.

Mark's monthly line-of-duty disability benefit is first calculated as follows:

$$\$2,800 \times 66\frac{2}{3}\% = \$1,866.67 \text{ per month}$$

Because Mark is receiving Social Security Disability Benefits, his benefit cannot exceed his Average Pay less his Social Security Disability Benefit.

Average Pay	\$ 2,800
Less: Social Security	<u>(1,100)</u>
Equals: Disability Benefits	\$ 1,700

Because Mark's Average Pay less his Social Security Disability is less than 66-2/3% of his Average Pay, Mark's line-of-duty disability benefit from the Plan will be \$1,700 per month (Average Pay less Social Security Disability Benefit).

Limitations Regarding Disability Benefits

Your monthly disability benefits will be reduced by any Workers' Compensation benefits you receive, and will be reduced by an amount equal to 50% of any wages you receive if you are earning income while receiving disability benefits from this Plan.

While you are receiving disability benefits, you must send the Retirement Plan Committee a copy of your federal income tax return each year. You may also be asked to undergo physical examinations on a periodic basis. Failure to comply with these requests will result in termination of your disability benefits.

If you recover from your disability and return to work for the County, your monthly disability benefits will stop, but you will receive credit for Years of Eligibility and

Creditable Service (for purposes of calculating your retirement benefits) for the time during which you were receiving disability benefits from the Plan.

If you recover from your disability but do not return to work for the County, your monthly disability benefits will stop and you will receive credit for Years of Eligibility and Creditable Service for purposes of calculating your retirement benefits only through the time of your recovery from the disability.

- ***Death Benefits***

If you die before you begin to receive your benefits from this Plan, your Beneficiary is always entitled to receive a benefit which is at least equal to your own employee contributions, including transferred employee contributions, plus interest.

Your Beneficiary may receive a larger benefit which, like disability benefits, may be classified as "ordinary" or "line-of-duty".

Ordinary Death Benefits

Ordinary death benefits are payable to your Beneficiary if you are 100% vested in your benefits at the time of your death. The ordinary death benefit is equal to 100% of the benefit you would have received if you had sustained an ordinary disability on the date of your death, and you had elected to receive payment of benefits in the form of the 100% Joint and Survivor Option (explained later in this Summary).

Line-of-Duty Death Benefits

Line-of-duty death benefits are payable without regard to whether or not you were vested in your benefits at the time of your death. Your Beneficiary will qualify for a line-of-duty death benefit if your death is the proximate result of an illness or injury which happens on-the job and which is "compensable" under the Maryland Workers' Compensation Act.

The line-of-duty death benefit payable to your Beneficiary is equal to 100% of the benefit you would have received if you had been determined to have sustained a line-of-duty disability on the date of your death, and you had elected to receive payment of benefits in the form of the 100% Joint and Survivor Option (explained later in this Summary).

- ***Benefits Following Termination of Employment***

Vested Termination

If you terminate employment prior to your Normal or Early Retirement Date, but after you become vested in your benefits, you may still receive a benefit at what would

have been your Normal Retirement Date (age 50 for Uniformed Employees and age 60 for Non-Uniformed Employees).

Your benefit will be calculated in the same way as normal retirement benefits are calculated, except using your Average Pay and Years of Creditable Service as of the time of your termination of employment.

You will be allowed to withdraw your contributions and the interest credited to these contributions, but you will forfeit your remaining benefit.

Non-Vested Termination

If you are not yet vested in your benefits when you terminate employment with the County, you will receive a lump sum distribution of your employee contributions, including transferred contributions, plus interest. This lump sum distribution will be paid at your election.

- ***Optional Forms of Payment***

When you approach retirement, you will have an opportunity to choose from a number of optional forms of benefit payment. You will want to pick an option that best suits your personal needs and the needs of your family. You may not change your option after you retire and receive your first benefit payment.

You may select a benefit form that provides you with the largest possible monthly income, or you may select an option which reduces the monthly income paid to you during your lifetime, but provides for payments to your Beneficiary.

Maximum Benefit Option - This form of benefit payment provides for a monthly benefit to you for your lifetime only. However, if you die before you have received, in monthly payments, the value of your employee contributions plus interest, the remainder of your employee contributions, plus interest, will be paid to your Beneficiary.

Joint and Survivor Option - This form of benefit payment provides monthly benefits to you during your lifetime, plus monthly benefits continuing after your death to your Beneficiary. This option provides for a smaller monthly payment to you during your lifetime than the Maximum Benefit Option because payments continue to your Beneficiary after your death and are, therefore, presumed to be paid over a longer period of time.

Under the Joint and Survivor Option, you may elect to have either 50% or 100% of your monthly benefit continue to your Beneficiary until your Beneficiary's death. The percentage you select will affect your monthly benefit payable during your lifetime. If your Beneficiary dies before you do, you will continue to receive the monthly benefit that you were receiving all along and no one will receive any further payment after your death.

10 Year Guarantee Option - This option provides a monthly benefit to you for your lifetime. Payments stop at your death; however, if you have not received payments for 10 years at the time of your death, payments will continue to your Beneficiary until payments have been made to both you and your Beneficiary for a total of 120 months.

- ***Designation of Beneficiaries***

When you begin participation in this Plan, you will be asked to designate a Beneficiary to receive any benefits that may be payable after your death.

If you are married, your Beneficiary will automatically be your spouse unless your spouse consents in writing to your designation of another Beneficiary. If you marry after naming another Beneficiary, your spouse will automatically become your Beneficiary unless your spouse consents to your designation of another Beneficiary.

If you are not married and you fail to designate a Beneficiary, death benefits will be paid in the following order: (1) to your children or grandchildren, (2) to your parents, or (3) to your estate.

- ***Preservation of Your Retirement Benefits***

In order to preserve your benefits under this Plan for your retirement, the Plan makes no provision for borrowing against your benefits or withdrawing money from the Plan before you are otherwise entitled to a distribution.

In general, your creditors may not attach or garnish your benefits before they have been paid from the Plan. There is, however, an exception to this general rule. The Retirement Plan Committee may be required by law to recognize obligations you incur as a result of court ordered child support or alimony payments. The Retirement Plan Committee must honor any "qualified domestic relations order." A qualified domestic relations order is a decree or order issued by a court that obligates you to pay child support or alimony, or otherwise allocates a portion of your benefits in the Plan to your spouse, former spouse, child or other dependent. If a qualified domestic relations order is received by the Retirement Plan Committee, all or a portion of your benefits may be used to satisfy the obligation.

- ***Administrative Provisions***

The Plan is administered by a Retirement Plan Committee consisting of County employees. The Committee prepares rules, regulations and procedures necessary for proper and efficient administration of the Plan. Day-to-day operation of the Plan is supervised by the County's Deputy Director of Human Resources. Questions regarding your participation in the Plan and your benefits under the Plan should be directed to the Human Resources Department.

APPENDIX A

GLOSSARY OF TERMS

Average Pay - The average monthly base pay you receive during the 36 consecutive months of your employment with the County which produce the highest average.

Beneficiary - The person or persons you designate to receive benefits from the Plan in the event of your death.

Dual Service Employee - An employee who has worked for the County as both a Uniformed Employee and a Non-Uniformed Employee.

Early Retirement Date - The date on which a Non-Uniformed Employee both reaches age 55 and completes 15 Years of Eligibility Service.

Hours of Service - In general, each hour for which an employee is paid, or entitled to payment, for the performance of duties for the County.

Military Service - Active military duty in the Armed Forces of the United States on account of which an employee is not eligible to receive a military pension.

Non-Uniformed Employees - All County employees who are not Uniformed Employees are considered to be Non-Uniformed Employees.

Normal Retirement Date - For a Uniformed Employee, the first day of the month following the date on which a Uniformed Employee has completed 20 Years of Eligibility Service or, if earlier, the date on which the Uniformed Employee has reached age 50 and completed 5 Years of Eligibility Service. For a Non-Uniformed Employee, the first day of the month following the date the Non-Uniformed Employee has completed 25 Years of Eligibility Service. Non-Uniformed Employees who are age 60 or older have special service requirements which are set forth in this Summary.

Plan Year - The 12 month period beginning July 1 and ending on June 30 of the following year.

Retirement Plan Committee - The Committee made up of County Employees which oversees the administration of the Plan.

Uniformed Employee - An Employee employed on a regular or probationary basis and whose position requirements meet each of the following three criteria:

- (a) The position is a non-administrative, active duty position,
- (b) The position requires certification by the Maryland Police Training Commission, the Maryland Fire and Rescue Institute or the Maryland Correctional Training Commission, and

(c) The daily duties of the position could result in loss of life.

Year of Creditable Service - Years of Creditable Service are used to calculate the amount of an employee's benefits from the Plan.

Year of Eligibility Service - Years of Eligibility Service are used to calculate vesting and eligibility for retirement under the Plan.

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